

FINANCIAL REVIEW

Accent Group steps up offence as JD Sports closes in

By **Sue Mitchell**

Updated 17 Dec 2018 — 12:22 PM, first published at 8:56 AM

"The best defence is a good offence" adage certainly rings true for [Daniel Agostinelli](#), the chief executive of Australia's largest footwear retailer, [Accent Group](#).

Accent, which owns the Platypus, Hype and The Athletes Foot chains, has come under attack from British-based retailer JD Sports, which is targeting sports shoe and sneaker fans by opening mega-sized stores in key locations such as Sydney's Pitt Street Mall and Melbourne Central.

Accent Group is fighting back by opening new Platypus stores in direct competition with JD Sports. A Platypus store opened in Melbourne Central last month and a Pitt Street store will open in April on the site of a former Zara Home store, almost directly opposite JD Sports.



Accent Group chief executive Daniel Agostinelli at the new Platypus Melbourne Central superstore.

"We are on the offence always – it's just a part of our culture," Mr Agostinelli told *The Australian Financial Review*.

Rather than a zero-sum game, where JD Sports takes share from Platypus or vice versa, Mr Agostinelli, hopes the step-up in competition will grow the overall market. "We feel that sometimes when you put two big stores together you generate more interest in the products in both stores and that becomes a bit of a hub for someone

who needs to buy sneakers – they maybe buy a pair from us and a pair from JD Sports," he said.

"Yes the rents are incredibly high but if you get the right team in a dynamic environment you can still make a bit of a go of it. And given our size now our customers almost expect that we should be in that sort of area."

Mr Agostinelli said JD Sports, known as the "king of trainers", had had "minimal" impact on Accent so far because its range includes sports apparel and its focus is on sports shoes, whereas Platypus focuses on casual and "lifestyle" shoes and the Hype brand premium fashion footwear.

'Hurting others'

Accent's same-store retail sales rose 2.5 per cent in the first 20 weeks of fiscal 2019 (including 88 per cent online sales growth), despite the company's strategic shift away from discounting, and the trend has continued into the pre-Christmas period, auguring well for a solid first-half result.

"I assume they're hurting others before they're hurting us," Mr Agostinelli said.

"There's definitely some crossover with us but they bring in products from other distributors. For example, we buy from Adidas Australia only and they buy from Adidas Australia and Adidas UK – so they may be bringing in some product that doesn't affect us and they may be growing the market."

JD Sports' entry into Australia, through Glue Store owner and former Top Shop Australia franchisee Hilton Seskin, has also prompted Accent to open larger stores where it can display its entire product range.

The average Platypus store is between 150 and 170 square metres but new stores will be between 300 and 400 square metres, whereas the Pitt Street and Melbourne Central superstores are about 600 square metres and will stock between 700 and 800 styles.

"The breadth of product in our stores seems to be resonating with our core customers," Mr Agostinelli said. "Ultimately our customers decide and they're spending money with us."

While other brick and mortar retailers are putting the brakes on new stores, Accent plans to open about 40 this year, taking its total network to about 485. JD Sports has 15 stores and plans to open a further 10 to 15 over the next 18 months.

"We are still finding opportunities where the landlord is prepared to somewhat de-risk the deal for us," Mr Agostinelli said, citing new stores in Rockhampton, Ballarat and Bendigo.

Accent shares have fallen 30¢ to \$1.38 since September, but brokers Bell Potter and Morgans have recently increased their full-year profit forecasts, citing higher than expected new stores and stronger gross margins.